

HOPE VI REAUTHORIZATION ACT OF 2006

JULY 27, 2006.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. OXLEY, from the Committee on Financial Services,
submitted the following

R E P O R T

together with

ADDITIONAL VIEWS

[To accompany H.R. 5347]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 5347) to reauthorize the HOPE VI program for revitalization of public housing projects, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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PURPOSE AND SUMMARY

H.R. 5347 would reauthorize the HOPE VI Revitalization for Severely Distressed Public Housing Program through fiscal year 2011 and would authorize the appropriation of \$574 million each of fiscal years 2007 through 2011.

BACKGROUND AND NEED FOR LEGISLATION

In 1989, the Congress established the National Commission on Severely Distressed Public Housing and charged this Commission with proposing a National Action Plan to eradicate severely distressed public housing by the year 2000. The Urban Revitalization Demonstration (URD) program, or HOPE VI, is a program that was born out of the Commission's work. Since 1993, this program has been an important part of the transformation of public housing by encouraging public housing authorities (PHAs) to seek new partnerships with private entities to create mixed-finance and mixed-income affordable housing that is developed and operated very differently from traditional public housing.

The activities permitted under HOPE VI include, but are not limited to:

- (1) the capital costs of demolition, major reconstruction, rehabilitation and other physical improvements;
- (2) replacement housing and management improvements;
- (3) planning and technical assistance; and
- (4) Implementation of community service programs and supportive services, or the planning for such activities.

The HOPE VI program was modified and extended by the FYs 1994, 1995, 1996, 1997, 1998 and 1999 appropriations Acts. HOPE VI was originally authorized through the end of FY 2002 by section 535 of the Quality Housing and Work Responsibility Act of 1998 (QHWRA), which set forth a new section 24 of the 1937 Act. The 108th Congress initially extended the program through the end of FY 2004, but more recently Congress extended the HOPE VI program through FY 2006.

A study of eight HOPE VI sites undertaken by the Housing Research Foundation (HRF) found that, in communities surrounding a recent HOPE VI revitalization project:

- Per capita incomes were up an average of 71 percent (compared to only 14.5 percent for the cities as a whole).
- Neighborhood unemployment rates had fallen by an average of 8.4 percent.
- Only 11 percent of neighborhood households were receiving public assistance, down from an average of 39 percent in 1989.
- 69 percent of households qualified as low-income, down from 81 percent in 1989.
- Increases in commercial and residential lending rates increased at a faster rate than overall city increases.
- Overall and violent crime declined by an average of 46 percent and 68 percent respectively, compared to a decline of only 25 percent and 38 percent in the overall city.

There is an ongoing need for the kind of fundamental revitalization in communities across the country that HOPE VI makes possible and which is currently unmatched by any other program.

HOPE VI epitomizes public-private partnership for funding redevelopment projects. Mixed-finance deals have allowed the government to raise millions of dollars from the private sector for redevelopment projects using Federal funds as leverage. For every government dollar, these partnerships can yield three or four additional dollars.

Under current law, the HOPE VI program and the authorization for appropriations for this program are scheduled to expire at the end of Fiscal Year 2006. H.R. 5347 extends the authorization for appropriations at the current level of \$574 million in each fiscal year through 2011 and extends the sunset of the program to September 20, 2011.

The Committee recognizes that the Administration proposed elimination of the HOPE VI program during the past three budget proposals. The Administration believes that the original objective of the program had been met and that approximately the goal of replacing approximately 80,000 severely distressed public housing units necessitated an end to the program. At the same time, over the past three years, the Administration has countered that ending the program would provide an opportunity to present new mechanisms to revitalize public housing developments and redevelop distressed neighborhoods. The Committee looks forward to reviewing the Administration's new ideas that could provide a new phase in redevelopment of very distressed public housing developments and the neighborhoods that suffer because of the location of those distressed developments.

The Committee also acknowledges that the HOPE VI program is not without flaws and some controversy. In 2003, a previous reauthorization of HOPE VI required the Department of Housing and Urban Development to select grantees, among other things, on their capacity to bring planning and ultimate development to fruition within a more expedited manner. Concerns have been raised by some that of the grant funds awarded, a large portion of developments have not been completed, creating significant backlogs as well as Federal money waiting to be utilized. From 1992 to 2002, Congress allocated \$5.7 billion to the program; \$3 billion of that is designated to complete projects, but has yet to be spent. According to the Administration, from 1992-2005, 231 HOPE VI grants were awarded, but only 54 development projects have been completed, due, in part to local housing authorities' protracted struggles to relocate poor residents and leverage Federal funds with local money. It is also the Committee's understanding that in recent years, HOPE VI grantees have been able to spend their funds at a faster rate than in the early years of the program. A report prepared by the Congressional Research Service shows that there has been an increasing rate of expenditure by more recent HOPE VI Revitalization Grantees.

The Committee believes that some of the changes made in the 2003 authorization bill enabled the HOPE VI program to make progress. One concern that was addressed in 2003 was a belief that the HOPE VI program had a bias towards larger urban areas. Thus, the Committee required that at least five percent of the HOPE VI funds be awarded to smaller communities, particularly rural areas, where public housing authorities are not present, to assist in redevelopment of town areas for affordable housing.

Hence, the Mainstreet project, where some rural areas are now participating.

Finally, the Committee will continue to monitor concerns that HOPE VI developments cause significant displacement of very-low and extremely-low income families, usually defined as those families earning no more than 50 percent to 30 percent respectfully of area median income. The Committee strongly supports mixed-income developments, which have shown to be engines for economic growth, job development, and improvements in services and educational opportunities for all residents. However, the Committee also recognizes that mixed-income developments should not translate into significant displacement or loss of affordable housing for very-low or extremely-low income families.

Overall, the Committee believes that the HOPE VI program has been a worthwhile tool in addressing blight and distressed conditions in communities across the country, providing mixed-income and affordable housing as well as private-public partnerships to leverage economic development. Still, according to a 2004 study conducted by the Urban Institute, approximately 60,000 public-housing units as well as the corresponding neighborhoods across the country could benefit from HOPE VI.

HEARINGS

No hearings were held on H.R. 5347 in the 109th Congress.

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on May 24, 2006, and ordered reported H.R. 5347, the HOPE VI Reauthorization Act of 2006, by a voice vote.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. No record votes were taken in conjunction with the consideration of this legislation. A motion by Mr. Oxley to report the bill to the House with a favorable recommendation was agreed to by a voice vote.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee has held hearings and made findings that are reflected in this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

H.R. 5347 would reauthorize the HOPE VI Revitalization for Severely Distressed Public Housing Program through fiscal year 2011 in order to assist the transformation of public housing by encouraging public housing authorities (PHAs) to seek new partnerships with private entities to create mixed-finance and mixed-income af-

fordable housing that is developed and operated very differently from traditional public housing.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX
EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Office of 1974.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 21, 2006.

Hon. MICHAEL G. OXLEY,
*Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed revised cost estimate for H.R. 5347, the HOPE VI Reauthorization Act of 2006. This estimate supersedes our original estimate, which was transmitted on June 6, 2006.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Chad Chirico.

Sincerely,

DONALD B. MARRON,
Acting Director.

Enclosure.

H.R. 5347—HOPE VI Reauthorization Act of 2006

Summary: H.R. 5347 would reauthorize the HOPE VI Revitalization for Severely Distressed Public Housing Program and would authorize the appropriation of \$574 million for that program for each of the fiscal years 2007 through 2011.

CBO estimates that the bill would authorize total appropriations of \$2.9 billion over the 2007–2011 period, and that appropriation of those amounts would result in additional outlays of \$712 million over that period. Enacting H.R. 5347 would not affect direct spending or revenues.

H.R. 5347 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 5347 is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

	By fiscal year, in millions of dollars—					
	2006	2007	2008	2009	2010	2011
SPENDING SUBJECT TO APPROPRIATION						
HOPE VI Spending Under Law Current Law:						
Budget Authority ¹	99	0	0	0	0	0
Estimate Outlays	650	621	531	344	148	48
Proposed Changes:						
Estimated Authorization Level	0	574	574	574	574	574
Estimated Outlays	0	1	36	110	225	340
HOPE VI Spending Under H.R. 5347:						
Estimated Authorization Level ¹	99	574	574	574	574	574
Estimated Outlays	650	622	567	454	373	388

¹ The 2006 level is the amount appropriated for that year for the HOPE VI program.

Basis of estimate: H.R. 5347 would authorize the appropriation of \$574 million for the HOPE VI program for each of fiscal years 2007 through 2011. In 2006, \$99 million was appropriated for this program. Assuming appropriation of the authorized amounts and based on historical spending patterns, CBO estimates that implementing this bill would cost \$712 million through 2011. Spending on the HOPE VI program has historically been slow due to the time it takes to award grants and complete revitalization projects.

Intergovernmental and private-sector impact: H.R. 5347 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Previous CBO estimate: The estimate supersedes the cost estimate for H.R. 5347 that CBO transmitted on June 6, 2006. The bill would extend the most recent authorization for the HOPE VI program. That authorization was for \$574 million for fiscal year 2003; CBO had incorrectly referenced the 2002 authorization, which was for “such sums as may be necessary.”

Estimate prepared by: Federal costs: Chad Chirico. Impact on State, Local, and Tribal Governments: Sarah Puro. Impact on the Private Sector: Nabeel Alsalam.

Estimate approved by: Robert A. Sunshine, Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional Authority of Congress to enact this legislation is provided by Article 1, section 8, clause 1 (relating to the general welfare of the

United States) and clause 3 (relating to the power to regulate interstate commerce).

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This section establishes the short title of the bill, “the HOPE VI Reauthorization Act of 2006.”

Section 2. Extension of program

This section authorizes the appropriation of \$574 million each of fiscal years 2007 through 2011 for the HOPE VI Revitalization for Severely Distressed Public Housing Program and extends the sunset for this program to September 30, 2011.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 24 OF THE UNITED STATES HOUSING ACT OF 1937

SEC. 24. DEMOLITION, SITE REVITALIZATION, REPLACEMENT HOUSING, AND TENANT-BASED ASSISTANCE GRANTS FOR PROJECTS.

(a) * * *

* * * * *

(m) FUNDING.—

(1) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for grants under this section \$574,000,000 for **[fiscal year 2003]** *each of fiscal years 2007 through 2011.*

* * * * *

(o) SUNSET.—No assistance may be provided under this section after September 30, **[2006]** *2011.*

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ADDITIONAL VIEWS

The Committee on Financial Services recently passed H.R. 5347, the “HOPE VI Reauthorization Act of 2006”. I am one of the original sponsors of the legislation. I want to congratulate the Committee on Financial Services Chairman, Mr. Oxley, and Ranking Member Frank, as well as the Subcommittee on Housing and Community Opportunity Chair, Mr. Ney for moving this important legislation for consideration. The Members of the Subcommittee also worked tirelessly to overcome obstacles to extend this program. Of course, in the absence of strong leadership on the Committee on Financial Services on matters related to housing, there is a distinct possibility that the HOPE VI program would have expired at the end of this fiscal year.

HOPE VI is a viable and critically important program, notwithstanding some of the criticisms that have been made of the program that are identified in this report [e.g. displacement of tenants, delays in development of projects, bias toward large urban areas]. As with any new federal program, there are lessons to be learned, and in the case of HOPE VI, many of these challenges identified in this report have been addressed in prior reauthorization bills. In addition, each of these issues is best understood within the context of the different circumstances confronting the various communities utilizing the HOPE VI program, particularly in its infancy. This might explain why HUD evaluated HOPE VI grantees on a case-by-case basis, rather than on the basis of formal enforcement policies.

For example, in many communities the supply of available and affordable housing is not adequate to accommodate the displaced residents of public housing. The development process related to HOPE VI is far more complicated than envisioned by the architects of the program, and many delays could be attributed to the needs of the various stakeholders in the community, including residents. According to the 2003 GAO report on “HOPE VI Resident Issues and Changes in Neighborhoods Surrounding Grant Sites”, in Tucson, AZ the Housing Authority submitted the revitalization plan for a site to the Tucson City Council approval only after the residents had voted to approve it. This type of deliberative process would add time to any development approval process whether it involved HOPE VI or not. Whether urban areas are favored under the program requirement is not really a criticism. In my view, this was a program outcome, and I see no reason why we would not want to make sure that HUD targets non-urban areas as we move forward to determine whether HOPE VI works because the housing needs of the urban communities are not drastically different than the housing needs of non-urban communities.

The GAO and CRS Report findings also indicate that:

- As of June 2004, 56,221 households had been relocated by Hope VI revitalization grantees. Of these households, 48 percent were moved to public housing, 32 percent were given Section 8 Vouchers, 6 percent were evicted, 19 percent move to revitalized units, and 13 percent made other housing choices.
- The neighborhoods in which 1996 HOPE VI sites are located generally have experienced improvements in indicators such as education, income and housing; and
- Mortgage lending activity increased in HOPE VI neighborhoods compared to other neighborhoods.

These findings are, in part, why I strongly support the HOPE VI Reauthorization bill. The bill has strong bi-partisan support, and HOPE VI would be reauthorized through 2011. Review of the factors used to assess grant application for the programs included—need capacity, quality and leveraging. So perhaps, it is more appropriate for the detractors of the program to measure the track record of the HOPE VI program's using these criteria and not individual project outcomes.

By some measures, HOPE VI has leveraged between \$5 billion and \$8 billion of private investment in communities across the nation. The demand for HOPE VI grants in communities around the country continues to exceed the available resources. There are estimates that HUD received three applications for every award made. The need to revitalize distressed public housing is precisely the reason that HOPE VI was conceived. Communities throughout this country with old decaying and abandoned public housing stock often located on prime land needed to seek ways to improve the quality of life in their communities. HOPE VI provided an answer to addressing these conditions in its early inception, and with improvement in the way the program is to be operated even greater progress should be made in meeting need.

Absent the bi-partisanship support that HOPE VI enjoys, we could have witnessed the elimination of the program. By changing the criteria to evaluate grantee applications, including evaluating the capacity of the grantee to undertake HOPE VI projects, support for the program should broaden. HOPE VI is an extremely competitive program that is indicative of its success. Communities should be able to include this federal resource in their comprehensive revitalization efforts immediately and in the future.

MAXINE WATERS.